

# FAIR Taxes for ALL

Co-chairs: People For the American Way, American Federation of State, County & Municipal Employees, National Women's Law Center, Leadership Conference On Civil Rights, US Action, Campaign for America's Future

May 27, 2004

To: Editorial Page Editors, Writers and Columnists  
From: Fair Taxes for All  
Re: **Upcoming tax and budget votes will greatly impact the future of America.**

The future of our country – our economic security as well as Americans' access to health care, a quality education, a secure retirement, and more – are at stake in the coming months as Congress votes on:

- **the budget**, which would pave the way for more deficit-exploding tax cuts that threaten public services both now and in the future;
- **how to extend “middle-class” tax cuts**, which could add over a trillion dollars to federal deficits over the next ten years, if not paid for;
- **budget rules changes** that would grease the skids for more deficit-swelling tax cuts for the super-rich while at the same time forcing deep cuts to important programs like education, Medicare, Medicaid, child care, food stamps, and more;

As Congress considers these bills, our record federal deficits will be front and center. Debates about deficits may not seem exciting – but at the root of these debates are two competing visions of America's future. Will we protect the public programs critical to the vast majority of Americans – like education, Social Security, Medicare, tuition assistance, environmental protection, and more – or will we undermine them in order to give more tax breaks to the wealthy? Recognizing that the public would never choose the latter option, these bills' proponents will likely (if past experience is any indication) ignore or even deny the consequences of their proposals, and will attempt to mislead the public about the path they are taking us down. **We urge you to call on lawmakers to honestly confront what upcoming tax and budget legislation means for our nation's ability to meet public needs – and to insist on sound policies that promote the interests of all Americans, not just a privileged few, both now and in the future.**

## **THE PROPOSED FY 2005 BUDGET RESOLUTION WOULD PAVE THE WAY FOR MORE DEFICIT-EXPLODING TAX CUTS.**

Last week, after two months of negotiations over rules to impose fiscal discipline (rules that passed the Senate with bipartisan support and that the House GOP leadership adamantly opposes), GOP leadership abandoned its effort to reach a compromise and proposed a budget that does nothing to restrain reckless tax cuts or to protect Americans' shared priorities. The Senate-passed budget plan would have established, for five years, fiscal discipline rules requiring that any new tax cuts, as well as entitlement spending increases, be paid for with increases in revenue or entitlement spending cuts. These mirror the fiscal discipline rules that were enacted with strong bipartisan support in the 1990's and that effectively reined in that decade's growing deficits. **The final budget proposal now under consideration disregards these rules' proven record and instead includes sham “fiscal**

**discipline” rules that would not only allow more unpaid-for tax cuts this year, but would also actually facilitate more massive, deficit-swelling tax cuts in future years.**

- These farcical rules would exempt \$28 billion worth of tax cuts, ostensibly for extending the so-called “middle-class” tax cuts scheduled to expire at the end of this year. However, a GOP leader has acknowledged that this loophole need not be used for the middle-class tax cuts, but could in fact be used to push through more tax cuts for large corporations or the super-rich without paying for them.
- The rules would expire in less than eleven months, leaving Congress with a blank check to enact as many unpaid-for tax cuts as it pleases.
- In a cynical move, the proposed budget would extend the middle-class tax cuts for only one year, forcing Congress to revisit the issue again in 2005. GOP leadership is sure to hold next year’s extension of these popular tax cuts hostage to more massive, deficit-exploding tax cuts for the wealthy. (Not to mention, the single-year strategy will keep projected deficits artificially low.)

While the House approved this budget by a slim 216-213 margin, Senate Majority Leader Bill Frist didn’t even bring the budget to the Senate floor for a vote, recognizing that it did not have the votes to pass. However, Frist announced that there might be a vote after the Senate returns from its Memorial Day recess.

The Senate must reject this budget resolution. Federal deficits are spiraling out of control, threatening not only the public services on which the vast majority of Americans depend, but also the quality of life of future generations of Americans. Especially given this reality, facilitating additional tax breaks for the wealthy is simply beyond the pale.

#### **THERE IS NO SUCH THING AS “FREE LUNCH” TAX CUTS.**

In the last four weeks, the House passed four tax cut bills, all without offsets, **at a cost of over half a trillion dollars over the next ten years – and over a trillion dollars if the costs of Alternative Minimum Tax Relief and interest payments are taken into account.** <http://www.cbpp.org/5-18-04tax2.pdf>. With the House leadership pursuing a head-in-the-sand strategy of refusing to admit – or even consider – what their reckless tax cutting policies mean for the future of all Americans, it is up to the Senate to meet its responsibility to current and future Americans by making sure these tax cuts do not deepen our fiscal hole.

- One of these bills, the Child Tax Credit extension, would add \$228 billion to the federal deficit over the next decade in order to provide tax breaks not only to middle-income families, but also to high-income families – earning up to nearly \$290,000 annually – who have already received lavish benefits from previous years’ tax cuts. In fact, over 70% of the benefits of the House-passed bill would go to the wealthiest 20% of families in 2004.
- Another bill, the Alternative Minimum Tax (AMT) bill, would extend relief from the AMT for some taxpayers – but only for one year. This temporary fix for a long-term problem masks the true costs of this and other tax cut legislation – and thus serves as a tool of deception. Lawmakers preposterously pretend the AMT relief will be extended for only one year and accordingly make budget plans assuming they will have nearly \$650 billion more to work with than they actually will. But they can’t keep pretending

forever, and the currently hidden \$650 billion cost will eventually have to be taken from somewhere else – like education or health care.

Last year, GOP lawmakers, forced by moderate senators to shrink their tax cut package down to \$350 billion, chose to cut back these and other “middle-class” tax cuts in order to make room for more tax breaks for the super-rich. Now, they are crying injustice as they confront this problem of their own making. Yet they’re still not willing to pay for these tax cuts by closing tax loopholes or rolling back the tax breaks for the ultra-rich. Instead, they seek to push these cuts through without offsets, further draining federal coffers of the funds needed to support the public programs that these same middle-class families depend on.

**UNBALANCED BUDGET RULES CHANGES WOULD FORCE OUTCOMES THAT FAVOR THE SUPER-RICH AT THE EXPENSE OF EVERYONE ELSE.**

Next month, the House will also consider a bill to make changes to the rules governing the process by which Congress creates the government’s budget. **At root, these changes serve the right-wing goal of dismantling the public services America has invested in over the last seven decades.** Overall, these proposed changes would facilitate passage of more deficit-exploding tax breaks for the wealthy while at the same time forcing deep cuts to education, health care, child care, environmental protection, law enforcement, and other important public services funded in the federal budget.

- Among other things, this bill would require that any improvement in entitlement programs, such as Medicare, Medicaid, veterans programs, or food stamps, be paid for by cuts in other entitlement programs. They could not be paid for by closing tax loopholes or by reducing tax breaks for the ultra-rich.
- By contrast, Congress could continue to enact unlimited tax cuts without paying for them.

Lawmakers must reject this bill that would lock in the skewed priorities of this administration by forcing deep cuts in virtually all government initiatives that serve the vast majority of Americans in order to allow more unpaid-for tax breaks.

**CONGRESS SHOULD USE THE BILL TO RAISE THE DEBT CEILING TO RAISE AWARENESS OF THE CONSEQUENCES OF ITS RECKLESS TAX-CUTTING POLICIES – AND URGE THEIR REVERSAL.**

The unpaid-for tax cuts passed in recent years have been financed by borrowed money. But there is a limit to how much the government can borrow: the debt ceiling. Currently, that limit is \$7.4 trillion. In a few months, the government is expected to reach its borrowing limit, and Congress will have to consider raising the debt ceiling. While the U.S. government cannot be allowed to default on its obligations, even if it has to borrow money to avoid default, Congress should not simply rubber stamp this increase. Instead, they should take advantage of this opportunity to highlight the need to restore fiscal discipline, so that the country can meet its obligations now and in the future.

**IT’S ABOUT PRIORITIES – AND RIGHT NOW, THE MILLIONAIRES ARE ON TOP.**

In 2001, President Bush began his campaign to cut taxes. At the time, he assured the American people that we could strengthen Social Security, improve education, put aside money for emergencies—and still give away over a trillion dollars in tax cuts. After that first round of tax cuts, however, it became clear that this wasn’t true. The 2001 tax cuts, coupled with an economic downturn, turned record projected surpluses into record deficits. And these deficits have real consequences for real people; they jeopardize our nation’s ability to support the public services important to the vast majority of Americans and threaten our future economic security. (See the

September 2003 report by the Center on Budget and Policy Priorities, the Committee for Economic Development, and the Concord Coalition for an in-depth analysis: <http://www.cbpp.org/9-29-03bud.pdf>.)

Families, hit by a lagging labor market and rapidly rising health care costs, have struggled to make ends meet. States, with budgets squeezed by falling revenues (resulting from the federal tax cuts and the economic downturn) and by new obligations passed down to them by the federal government, have struggled to fund critical public services – and have had to raise taxes and slash funding for education, health care, child care, and more in order to balance their budgets. Despite this reversal of fortunes – and with continuing unknown costs of war in Iraq and Afghanistan as well as an aging population poised to strain Social Security and Medicare resources – the administration and congressional leaders pushed through another round of deficit-exploding tax cuts, deceptively sold as benefits for ordinary Americans. And now they are pressing for even more.

**While all Americans will have to bear the cost of these deficit-swelling tax cuts – through diminished public services and higher interest rates – a small percentage of the wealthiest Americans have benefited wildly from the tax cuts.** This year alone, over \$30 billion will be spent to provide 257,000 households earning over \$1 million a year with an average tax cut of nearly \$124,000. <http://www.cbpp.org/4-14-04tax-sum.pdf> Indeed, contrary to rhetoric, the tax cuts of the past few years are radically skewed in favor of the super-rich. The wealthiest one percent of taxpayers will receive a 24 percent share of the tax cuts this year, while the middle 20 percent of taxpayers will receive less than nine percent of the total tax benefits. <http://www.taxpolicycenter.org/TaxModel/tmdb/TMTemplate.cfm?DocID=619&topic2ID=40&topic3ID=57> And while receiving such paltry tax cuts, these working families are struggling as funding shortfalls lead to cuts in health care and K-12 education, college tuition hikes, and increased taxes, especially regressive taxes, at the state and local levels.

In the coming months, lawmakers must take steps to bring our policies back into line with the interests of the American people – not just the wealthy few. **They should uphold their responsibility as elected officials and be honest with the public about the true costs and consequences of their policies. And they should support only those policies that protect the quality of life of current and future Americans.**

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Fair Taxes For All (FTFA) is a massive coalition of more than 330 national, state and local groups and coalitions – together representing millions of Americans. Co-chaired by People For the American Way, National Women's Law Center, AFSCME, the Leadership Conference on Civil Rights, USAction, and the Campaign for America's Future, FTFA is dedicated to promoting a fair tax system that raises sufficient revenue to meet our shared priorities and invest in our common future.